

Message Text

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TAGS:

SUBJECT: COUNTRY STUDIES FOR NONFUEL MINERALS POLICY REVIEW

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REF: A-2631 (7/21/78)

1. AS PART OF A GOVERNMENT-WIDE NONFUEL MINERALS POLICY
REVIEW ORDERED BY THE PRESIDENT, THE DEPARTMENT HAS BEEN
UNCLASSIFIED

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DESIGNATED LEAD AGENCY FOR A STUDY CENTERING ON THE
AVAILABILITY OF CERTAIN IMPORTED MINERALS TO THE UNITED
STATES AND ALLIED COUNTRIES THROUGH THE END OF THIS
CENTURY. A DETAILED "PROJECT MANAGEMENT PLAN" (PMP) FOR
THE REVIEW, ACCEPTED BY ALL AGENCIES, WAS SENT USEC AND
TOKYO FOR INFORMATION AND GUIDANCE WITH THE AIRGRAM UNDER
REFERENCE; COPIES BEING POUCHED SEPARATELY TO EMBASSIES
BONN, BRUSSELS, LONDON AND PARIS. THE TWELVE MINERALS
SELECTED FOR THE REVIEW ARE: ASBESTOS, ALUMINUM, CHROMIUM,
COBALT, COPPER, IRON ORE AND SCRAP, LEAD, MANGANESE, NICKEL,

PHOSPHATE ROCK, SILVER AND ZINC.

2. AS A MAJOR INPUT INTO THE PROBLEM ANALYSIS PHASE OF THE REVIEW THE DEPARTMENT IS UNDERTAKING A SERIES OF STUDIES OF SELECTED COUNTRIES AND COUNTRY GROUPINGS HAVING SPECIAL IMPORTANCE AS CONSUMERS OR PRODUCERS OF -- OR POTENTIAL COMPETITORS FOR -- THE TWELVE MINERALS INCLUDED IN THE

REVIEW. POST RESPONSES TO THIS MESSAGE WILL CONSTITUTE THE BASIC COMPONENT OF THESE STUDIES.

3. NOTE THAT THIS MESSAGE RELATES TO THE PROBLEM AREA FOR WHICH THE DEPARTMENT HAS LEAD RESPONSIBILITY. OTHER WASHINGTON AGENCIES ARE ADDRESSING DIFFERENT AREAS, INCLUDING COMPETITION (INTERIOR), R AND D (THE NATIONAL SCIENCE FOUNDATION), GENERAL SUPPLY PROBLEMS (INTERIOR) AND FINANCE (TREASURY). THE DEPARTMENT HAS AN ADVISORY ROLE IN EACH OF THESE AREAS AND AS WORK PROCEEDS, IT IS ANTICIPATED THAT POSTS MAY ALSO BE REQUESTED, IN SEPTELS, TO PROVIDE ASSISTANCE.

4. IT IS RECOGNIZED THAT CONSIDERABLE DATA AND ANALYTICAL MATERIAL ON NONFUEL MINERALS MAY ALREADY BE AVAILABLE IN UNCLASSIFIED

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WASHINGTON FROM PAST FOREIGN SERVICE REPORTING AND FROM OTHER SOURCES. REFERENCES TO SUCH MATERIAL MAY BE INCLUDED IN RESPONSES TO THE QUESTIONS LISTED BELOW. IN ORDER THAT MATERIAL MAY BE SEEN IN CONTEXT, HOWEVER, AND TO ASSURE THAT THE DEPARTMENT BENEFITS FULLY FROM THE POSTS' BEST CURRENT INFORMATION AND JUDGEMENT, REPLIES TO QUESTIONS SHOULD BE AS SELF-CONTAINED AS POSSIBLE.

5. GIVEN THE TIMEFRAME FOR THE STUDY IT IS ALSO IMPORTANT THAT REPLIES BE FORWARD-LOOKING AND ANALYTICAL. WHILE HISTORICAL DATA PROVIDE BASES FOR PROJECTIONS, AND AN IMPORTANT, QUANTIFIABLE INGREDIENT FOR ANALYSIS, EMPHASIS SHOULD BE ON FUTURE PROBLEMS AND CONSEQUENCES THAT ARE (1) EXPECTED, (2) PROBABLE, AND (3) IMPROBABLE BUT EXTREMELY IMPORTANT SHOULD THEY OCCUR. AN IMPORTANT OBJECTIVE OF THIS PHASE OF THE STUDY IS TO IDENTIFY AND CLASSIFY POSSIBLE PROBLEMS THAT COULD PRODUCE DISLOCATIONS IN THE SUPPLY AND/OR DEMAND FOR MINERALS, E.G., ABRUPT PRICE CHANGES, OVERSUPPLY, OR SEVERE SHORTAGES. AS NOTED IN THE PMP (WHICH SHOULD BE HELPFUL IN PREPARING REPLIES TO THIS MESSAGE), POSSIBLE PROBLEMS MAY BE INADVERTENT OR DELIBERATE, MAY ARISE FROM US OR FOREIGN POLICIES OR ACTIONS, AND MAY BE CAUSED BY POLITICAL, LEGAL, PHYSICAL AND ECONOMIC EVENTS.

6. IT IS UNDERSTOOD THAT ANALYSIS MUST BE CONDUCTED WITHIN THE CONSTRAINTS OF TIME AND STAFF RESOURCES, AND THAT THE

BEST AVAILABLE DATA MAY AT TIMES BE INSUFFICIENT FOR THOROUGH ANALYSIS OF CERTAIN PROBLEMS. USEC PLEASE PROVIDE EC-WIDE PERSPECTIVE TO DEGREE DATA AVAILABLE. INDIVIDUAL COUNTRY FOCUS CAN BE PROVIDED BY EMBASSIES.

7. IN YOUR REPLIES CLASSIFIED INFORMATION MAY BE UTILIZED, BUT SHOULD BE IDENTIFIED AND SO ARRANGED THAT AS

MUCH AS POSSIBLE MAY BE EXTRACTED FOR THE PUBLIC DOCUMENTS UNCLASSIFIED

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OF THE STUDY.

8. REPLIES ARE DUE IN THE DEPARTMENT BY SEPTEMBER 15.

9. THE FOLLOWING QUESTIONS ARE DRAWN FROM THOSE IN THE PMP (PAGES 16-19) WHICH THE DEPARTMENT IS REQUIRED TO ADDRESS. THEY HAVE BEEN ARRANGED IN OUTLINE FORM TO FACILITATE POSTS' PREPARATION OF NARRATIVE RESPONSE, WITH STATISTICAL AND OTHER DATA TO BE INCLUDED AS APPROPRIATE.

10. QUESTIONNAIRE OUTLINE:

A. IMPLICATIONS OF POPULATION GROWTH AND ECONOMIC GROWTH FOR MINERALS CONSUMPTION:

(1) PROVIDE BEST AVAILABLE PROJECTIONS, THROUGH 2000, FOR POPULATION AND GDP GROWTH (PREFERABLY REAL GOODS GDP). INCLUDE THE SOURCE AND ASSUMPTIONS ON WHICH THE PROJECTIONS ARE BASED.

(2) ARE ANY ESTIMATES AVAILABLE REFLECTING AN EXPECTATION THAT GROWTH WILL RESULT IN AN INTENSIFICATION OF INTERNATIONAL COMPETITION FOR ACCESS TO VITAL MINERALS, DRIVING UP PRICES AND CAUSING MINERALS ACCESS TO BECOME AN ISSUE OF INTERNATIONAL CONCERN?

B. POSSIBLE SUPPLY INTERRUPTIONS AND/OR PRICE CHANGES:

(1) ARE POSTS AWARE OF ANY SIGNIFICANT CONCERN BEING EXPRESSED OVER RISKS OF SUPPLY INTERRUPTIONS OR PRICE CHANGES FOR PARTICULAR MINERALS FOR WHICH ADDRESSEE POST COUNTRIES (HEREAFTER ,NCLUDED IN TERM "EC/JAPAN") ARE IMPORT DEPENDENT (BOTH IN THE LONG-AND THE SHORT-TERM) UNCLASSIFIED

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WHICH WOULD HAVE SIGNIFICANT IMPACT ON NATIONAL INCOME, INFLATION, EMPLOYMENT, THE ENVIRONMENT OR FOREIGN POLICY? WHAT MIGHT BE THE CAUSES OF THESE INTERRUPTIONS OR CHANGES?

(2) WHAT WOULD BE THE MOST LIKELY RESPONSE OF THE EC/JAPAN TO SUCH INTERRUPTIONS OR CHANGES? IS CONTINGENCY PLANNING UNDERWAY OR IN PROSPECT? WHAT ALTERNATIVE SOURCES ARE AVAILABLE? WHAT IS KNOWN ABOUT ANY CURRENT STOCKPILING EFFORTS IN YOUR COUNTRY? WHAT IS THE PURPOSE OF THE STOCKPILES? WHAT MINERALS ARE INCLUDED?

(3) IN THE MISSION/EMBASSY VIEW, WHAT ARE THE PROSPECTS FOR WORKING OUT COOPERATIVE ARRANGEMENTS TO MEET SUDDEN SUPPLY SHORTAGES OR PRICE RISES THAT WOULD ASSURE EQUITABLE ACCESS TO AVAILABLE SUPPLIES? CAN IT BE ASSUMED

THAT THE US WOULD BE INCLUDED IN SUCH ARRANGEMENTS? DOES PAST EXPERIENCE PROVIDE ANY GUIDE?

C. POLICY CONSIDERATIONS

(1) WHAT INSTITUTIONS, ORGANIZATIONS OR OTHER INTEREST GROUPS ARE MOST INFLUENTIAL IN THE FORMULATION OF EC/JAPAN MINERALS POLICY? WHAT IS THEIR RELATIONSHIP TO OVERALL ECONOMIC POLICY FORMULATION? (FOR USEC: WHAT EC MEMBER COUNTRIES OR MEMBER COUNTRY GROUPS OR INSTITUTIONS ARE MOST INFLUENTIAL IN EC MINERALS POLICY? INCLUDE COMMENT ON THE IMPORTANCE OR ATTENTION ACCORDED MINERALS BY THE EC RELATIVE TO OTHER ECONOMIC SECTORS).

(2) WHAT OPPOSITION GROUPS HAVE SIGNIFICANT MINERALS INTEREST? LOOKING AHEAD, IS IT LIKELY THAT THE ASCENDENCY OF ANY SUCH GROUPS IN ONE OR MORE COUNTRIES (EC MEMBERS/JAPAN) WOULD SERIOUSLY DISRUPT THE INDUSTRY, WITH IMPORTANT ADVERSE EFFECTS FOR US ACCESS TO MINERALS AT FAIR PRICES? WHAT REALISTIC SCENARIOS CAN YOU UNCLASSIFIED

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ENVISAGE?

(3) WHAT ARE THE MAIN PUBLIC AND PRIVATE INSTITUTIONS FOR CONSULTATIONS AND CHANNELS OF COMMUNICATION BETWEEN THE US AND THE EC/JAPAN ON MINERALS ISSUES? HOW WELL DO THEY WORK?

(4) DESCRIBE BRIEFLY THE APPROACH AND RATIONALE OF THE EC/JAPAN ON MINERALS ISSUES IN THE NORTH/SOUTH DIALOGUE. WHAT IS THE ROLE OF INDUSTRY OR OTHER INTEREST GROUPS IN FORMULATING POSITIONS?

D. EC/JAPAN MINERALS INDUSTRY

(1) HOW IMPORTANT IS THE MINERALS INDUSTRY (MINING, ORE PROCESSING, SMELTING, REFINING) TO THE ECONOMY OF EC/JAPAN? WHAT IS ITS SHARE OF GDP? EMPLOYMENT? IMPORTS? EXPORTS? ARE THESE SHARES GROWING OR DECLINING? WHAT

SECTORS OF THE INDUSTRY SHOW THE FASTEST GROWTH?

(2) DOES THE GOVERNMENT ACCORD THE NONFUEL MINERALS INDUSTRY SPECIAL TREATMENT IN TERMS, FOR EXAMPLE, OF TAXES, TARIFF STRUCTURE, DEPLETION, ALLOWANCES, REBATES, ANTITRUST, CREDIT, INVESTMENT, HEALTH, SAFETY AND ENVIRONMENTAL REGULATIONS OR OTHER MEASURES INTENDED TO FOSTER MINERALS EXPLORATION, DEVELOPMENT AND PRODUCTION, INCLUDING PROCESSING OF ORES INTO UPGRADED MATERIALS, AT HOME OR ABROAD? WHAT INFORMATION IS AVAILABLE CONCERNING LABOR PRODUCTIVITY AND WAGE RATES IN THE MINING AND PROCESSING INDUSTRY? WHAT ARE THE INDUSTRY'S PRINCIPAL SOURCES OF FINANCING?

(3) WHAT TRENDS ARE EVIDENT IN INDUSTRY/GOVERNMENT UNCLASSIFIED

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RELATIONSHIPS? LOOKING AHEAD, WHAT CHANGES IN THE INDUSTRY SEEM MOST LIKELY OVER THE NEXT 25 YEARS IN TERMS OF ORGANIZATIONAL STRUCTURE, OWNERSHIP, GOVERNMENT CONTROLS, RELATIONSHIPS WITH OVERSEAS SUPPLIERS, WITH METALS AND MANUFACTURING? CAN YOU PERCEIVE ANY CLEAR TRENDS TOWARD GREATER CONSOLIDATION, INTERNATIONALLY OR INTERNALLY, MERGERS, HORIZONTAL OR VERTICAL INTEGRATION? ARE FIRMS LIKELY TO BECOME MORE OR LESS NATIONAL IN OUTLOOK, ORGANIZATION, MANAGEMENT, OWNERSHIP, GOVERNMENT CONTROL? WHAT WOULD YOU PERCEIVE TO BE THE IMPLICATIONS OF SUCH TRENDS FOR THE US?

(4) GIVEN THE FACT THAT THE EC/JAPANESE NONFUELS MINERALS INDUSTRY IS LARGELY IMPORT DEPENDENT, WHAT, IF ANYTHING, IS THE NATURE OF THE US INTEREST IN THIS DEPENDENCE? FROM YOUR PERSPECTIVE, DOES THIS IMPORT DEPENDENCE PROVIDE GROUNDS FOR US CONCERN? EXPLAIN. CAN YOU CITE ANY RESEARCH OR OTHER STUDIES IN EC/JAPAN THAT MIGHT HAVE A BEARING ON THE EXTENT TO WHICH THE COST OR ACCESSIBILITY OF FOREIGN MINERALS TO THE US MIGHT BE AFFECTED BY AN INCREASE IN EC/JAPAN NONFUEL MINERALS IMPORT DEPENDENCE?

(5) WHAT EVIDENCE IS AVAILABLE THAT THE USSR AND/OR THE PRC ARE LIKELY SUBSTANTIALLY TO INCREASE MINERALS EXPORTS TO EUROPE/JAPAN IN THE YEARS AHEAD? WHAT IMPACT MIGHT THIS HAVE ON TRADE PATTERNS? WHAT WOULD BE THE IMPLICATIONS FOR THE US IF THE USSR AND/OR PRC BECAME SIGNIFICANT SOURCES OF NONFUEL MINERALS FOR OUR ALLIES?

6. CONSIDER SPECIFICALLY THE RELATIONSHIP OF THE EC/JAPANESE MINERALS INDUSTRY TO ITS LDC SUPPLIERS: WHERE ARE THE MOST EVIDENT TROUBLE-SPOTS? WHAT CONCERNS ARE BEING EXPRESSED? WHAT ADJUSTMENTS OR ACCOMMODATIONS WITH SUPPLIER GOVERNMENTS (SETTLEMENT OF CLAIMS, CONTRACTURAL ARRANGEMENTS, ETC.) ARE UNDERWAY? OVER THE LONGER TERM,

WHAT CONSUMER-SUPPLIER RELATIONSHIPS ARE ENVISAGED BY
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KNOWLEDGABLE INDUSTRY AND OFFICIAL LEADERS AND OBSERVERS?
WHAT SIGNIFICANT DIFFERENCES OF VIEW ARE EXPRESSED? HOW
WOULD YOU EVALUATE THESE DIFFERENCES?

(7) LOOKING AHEAD MORE GENERALLY, WHAT IS THE OUTLOOK
FOR THE MINERALS INDUSTRY IN THE EC/JAPAN? WHAT ARE THE
PRINCIPAL CONCERNS BEING EXPRESSED BY INDUSTRY LEADERS? ARE
THESE CONCERNS NARROWLY ECONOMIC OR MORE BROADLY INTER-
NATIONALISTIC AND POLITICAL? ARE US INTERESTS AND POLICIES
TAKEN INTO ACCOUNT?

E. EFFECT OF US POLICIES

(1) IN A NONFUEL MINERALS CONTEXT, HOW ARE CURRENT US
MINERALS POLICIES, INCLUDING THE OPERATION OF OUR
STRATEGIC STOCKPILES AND THE US POSITION IN INTERNATIONAL
COMMODITY ARRANGEMENTS, PERCEIVED IN THE EC/JAPAN?
ARE WE PERCEIVED BY INFLUENTIAL BUSINESSMEN, BANKERS,
GOVERNMENT OFFICIALS TO BE MOTIVATED PRIMARILY BY SELF-
INTEREST, THE COMMON INTEREST OR BOTH? PROVIDE SPECIFICS
WHENEVER POSSIBLE THAT ILLUSTRATE YOUR POINTS.

(2) WHAT RECENT US ACTIONS OR POLICY DEVELOPMENTS HAVE
BEEN MOST HELPFUL/MOST HARMFUL IN TERMS OF ASSURING
INTERNATIONAL COOPERATION ON ACCESS TO MINERALS AT
REASONABLE PRICES? CAN MINERALS ISSUES BE SEPARATED FROM
MORE GENERAL ECONOMIC, FINANCIAL, TRADE MATTERS? WHAT
WOULD BE THE IMPACT OF SIGNIFICANT CUTBACKS IN US EXPORTS
OF SCRAP, PHOSPHATES, MOLYBDENUM OR BORON IN ORDER TO
CONSERVE US NON-RENEWABLE RESOURCES?

(3) DOES US FOREIGN POLICY WITH RESPECT TO THE EC/JAPAN
TAKE US MINERALS INTERESTS ADEQUATELY INTO ACCOUNT? IFNOT,
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WHAT CHANGES WOULD BE REQUIRED TO BETTER PURSUE THESE
INTERESTS? HOW WOULD A MORE MINERAL -ORIENTED FOREIGN
POLICY AFFECT OTHER US INTERESTS IN THE EC/JAPAN? VANCE

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